24 August 2010

Productivity Commissioners
GPO Box 1428
Canberra ACT 2601
Email: agedcare@pc.gov.au

Dear Commissioners,

Re: Productivity Commission Enquiry – Caring for Older Australians

Thank you for the opportunity to make a submission on behalf of the RVA and its members in respect to your enquiry that is seeking to address the future care of older Australians.

The RVA represents over 770 members and is the peak representative body for those developing and operating retirement villages in Australia. Our members include small to medium size operators who operate between one and three villages, not for profit or church and charitable organisations, through to larger trusts and development organisations who operate from 30 to 80 villages on a national basis.

RVA members are committed to providing high quality accommodation for older Australians in a communal and supportive setting. Given the growth in population over the age of 65 in Australia, our members and the villages they operate (and will develop in the future) will be of critical importance to our nation for housing and settings to deliver care.

We trust that you find the attached submission informative and insightful to the enquiry. I am available to discuss the submission more fully and can arrange for our members to present to the Commissioners at any stage.

We look forward to further dialogue with the Commission pertaining to this most important Enquiry in the future.

Yours sincerely,

Andrew Giles
Chief Executive Officer
Retirement Village Association

August 2010

RVA AUSTRALIA

Retirement Village Association Ltd

in association with

Deloitte.

Caring for Older Australians - Submission to the Productivity Commission

Contents

1 Executive Summary

Our country is faced with a looming crisis in respect to how we house and care for older Australians.

Population growth in older demographic segments, increasing numbers of seniors with co-morbidities and a long-term reduction in the number of taxpayers per retiree all highlight the fact that our country is faced with the prospect of supporting larger numbers of older people who are living longer than ever before.

Moreover, our seniors have, in their individual ways, contributed to the growth of our great nation. As such, they have earned the right to exercise choice when it comes to their own accommodation and service options in later life.

One such option is retirement village living, a model that has emerged over the past 30 years or more and now houses more than five percent of people aged over 65 years (and more than ten percent of those over 75).

The profile of the retirement village industry, in its current form, is diverse, spanning church and charitable operators, larger listed entities (who run multiple villages) and smaller independent operators. This mix of operators ensures both choice and economic diversity.

With over 1,850 retirement villages (with a construction value in excess of $50 billion) and 160,000 or more residents, the industry now represents a critical element of housing and care options for older Australians.[1]

The Future of Seniors Accommodation

It is clear that retirement villages will continue to represent an essential component of housing for seniors in the future. Even based on current penetration rates, a projected growth of five million people aged 65 and over in the next 40 years would require an additional 2,800 villages to meet demand.

Should retirement village housing stock not be available, there would be three clear socio-economic drawbacks:

1. 300,000 or more residents would have to be housed in standard residential stock (that in many cases would be too large, difficult to maintain, decrease stock available to younger families and heighten social isolation);

2. A need for more investment by government in health care, public housing and home-based care (a significant proportion of which is currently provided in retirement villages); and

3. Direct and indirect economic impacts relating to employment opportunities, investment in infrastructure and the construction industry.

Such a future would serve older people poorly – not only would it limit options for seniors searching for age-appropriate accommodation that meets their physical and healthcare needs but it ignores in totality the individual and community benefits

[1] Jones Lang Lassalle, 2009.

retirement villages can offer. It is therefore vital that the retirement village industry is considered in conjunction with the aged and community care sectors: only through a fully integrated approach to housing and care supports can we create a dynamic, consumer-driven industry that will stand the test of time.

Industry Challenges

As part of the preparation for this submission, the Retirement Village Association (RVA), in association with Deloitte Touche Tohmatsu ("Deloitte"), hosted a workshop of more than 40 executives from the retirement village industry to identify, discuss and debate immediate and future challenges. Our primary focus was the identification of opportunities, both in the shorter- and longer-term, that would facilitate constructive industry growth for the benefit of older Australians.

Three key challenges to housing and care provision were unanimously agreed upon. They include:

- Access to land and capital;
- Regulatory barriers; and
- Perception of the retirement village industry.

Stimulating the Retirement Village Industry to Meet the Needs of Older People

Retirement villages offer a range of economic, housing, health, social, individual and community benefits. The opportunity is ripe for government to support our industry's growth and recognise our ability to provide quality housing and care for the burgeoning numbers of older Australians in our community.

The purpose of this paper, therefore, is to outline our 11 recommendations for consideration by the Productivity Commission. While each of them touches upon a different theme or aspect, they are united by a consistent focus on the benefits and value retirement villages can offer seniors, the local community and the Australian government.

2 RVA Recommendations

Recommendation 1

Create a forum to facilitate increased engagement between federal and state governments as well as consumers and other relevant stakeholders (including the RVA), in order to enhance levels of understanding regarding key issues in the community and drive better outcomes for consumers.

Recommendation 2

Facilitate cooperation between government and the RVA to develop a well planned, industry operated accreditation program and code of conduct that will ensure effective quality frameworks are enforced and maintained.

Recommendation 3

Investigate a range of investment products/mechanisms that would generate capital for the sector (and thereby ensure more efficient, targeted delivery of senior's housing).

Recommendation 4

Introduce GST-free treatment for the development of retirement villages.

Recommendation 5

Implement federal planning reforms that will remove construction disincentives and encourage efficient delivery of targeted senior's housing.

Recommendation 6

Investigate the establishment of a long-term superannuation/health scheme that will relieve pressure on the health and hospital systems and better meet the needs of ageing Australians.

Recommendation 7

Investigate equity release schemes for older people and remove economic disincentives.

Recommendation 8

Consider incentivising/supporting older people to move into serviced apartments via such measures as supplementary payments that increase living affordability.

Recommendation 9

Work with the retirement village industry to investigate increasing subsidies for people moving into specific retirement accommodation that enables rental tenancy arrangements.

Recommendation 10

Decouple aged care service provision and accommodation costs from retirement villages (as has been applied in community care in residential homes).

Recommendation 11

Apply a whole of government approach to industry regulation that is focused on affordable, flexible accommodation and care options, which promote a transparent, fair legislative framework (not an unfair and restrictive compliance burden).

2.1 Disclaimer

This submission has been prepared by the Retirement Village Association (RVA) Ltd and Deloitte and is intended for the purpose described in this report and not for any other purpose. The contents of this submission should not be reproduced without the express permission of RVA Ltd and Deloitte.

3 Introduction

3.1 Inquiry context

Overview

The Issues Paper prepared by the Productivity Commission as part of the *Caring for Older Australians* Inquiry makes it clear that ‘aged care’, in its broadest context, is an important component of Australia's health and housing systems.

Similarly, the National Health and Hospitals Reform Commission (NHHRC) proposed that significant reform of the aged care industry should encompass its relationship to the rest of the health system if it is to meet the challenges of an older and increasingly diverse population.

The retirement village industry was equally heartened by the inclusion of retirement villages in the terms of reference for this Inquiry, since it is indicative of the government’s recognition of the role of retirement villages in the broader context of health and ageing reforms. It is our view that retirement villages are and will continue to be a crucial component in the provision of housing and care for older people.

It is well known that, as a community, we are faced with a range of challenges – but also opportunities – associated with:

- Increasing demand for ageing-specific housing and care;
- Consumer demand for more diverse models of care and housing;
- A preference for independent living and community-based care services (which are economically efficient in retirement villages);
- A complex matrix of demand drivers for older people, including levels of wealth, leisure preferences, lifestyle preferences, work and care needs, all of which influence how and where we provide housing and care;
- Changing patterns of health needs and the subsequent impact on private and subsidised care costs;
- Changing family structures that hamper access to carers and family support for older people; and
- Evolving migration and other demographic patterns and their impacts on planning mechanisms for the future.

3.2 The Retirement Village Association

The RVA is Australia’s peak body for the retirement village industry. We represent over 750 village and associate members nationally and play a critical role in the ongoing growth and sustainability of the retirement village industry.

With five regional offices located in Brisbane, Sydney, Melbourne, Adelaide and Perth, RVA membership consists of retirement village operators, managers, owners, developers, investors and industry specialists across Australia. As the leading industry voice, the principal objectives of the RVA are to:

- lead the building and growth of a sustainable and responsible industry;
- advocate and strengthen our relationships with local, state and federal governments to ensure the best legislative outcomes for the retirement village industry;
- encourage industry excellence and best practice through accreditation and facilitate quality improvement through an effective and relevant professional development program; and
- support and promote the benefits of retirement villages as ‘the preferred choice of lifestyle for senior Australians’.

4 Caring for Older Australians: The Retirement Village Context

4.1 Overview

The retirement village industry has grown significantly over the past three decades and has evolved to meet the needs of discerning and dynamic consumers aged 65 and over.

Industry analysis reveals that the profile of consumers has gradually changed over the past twenty or so years, as has the corresponding role of retirement villages. People are now moving into retirement villages later in life and often staying for longer periods because many of their care and support needs are met within a village. Residents are therefore departing more frail and delaying (or even negating) a move into higher levels of aged care.

This concept of service-rich accommodation is also known as 'service integrated housing'. A recent report by the Australian Housing and Urban Research Institute (AHURI)[2], described service integrated housing as

> *… all forms of housing for people in later life where the housing provider deliberately makes available or arranges for one or more types of support and care, in conjunction with the housing provision.*

The report states that interest in this form of housing has been driven by the ageing of the population and the impact of disability and frailty on the capacity of many individuals and households to manage tasks of daily life without support.

The report highlights that

> *… While the majority of those in need of assistance live in the general community with care from formal services and/or family or other informal carers, a proportion live in a range of purpose-built housing for older people that also provides varying levels of support and care services. Little systematic information is available on these forms of housing and the services they provide, but there is increasing recognition that as the period of later life for many Australians lengthens, and as the overall number of older Australians grows, greater consideration needs to be given to the range of housing and care choices available to older Australians.*

Retirement villages are an obvious inclusion in this 'range of housing and care choices', and the Productivity Commission's mention of retirement villages in its terms of reference marks the first time that this sector has been explicitly linked to the future planning of housing and care services for older Australians. RVA members are committed to upholding models of high quality yet affordable housing that can maximise the delivery of flexible, customer-responsive care services: it makes sense, therefore, that retirement villages be recognised as a key element in the spectrum of housing and support services for seniors.

[2] Australian Housing and Urban Research Institute, *Service Integrated Housing for Australians in Later Life*, Final Report No. 141 (2010).

As the peak body for the retirement village industry, the RVA is keen to flesh out this concept further and engage more closely with other sectors in a range of forums in order to better address issues of relevance to senior's housing, consumer protection, care planning, service integration, health and wellbeing.

Recommendation 1

Create a forum to facilitate increased engagement between federal and state governments as well as consumers and other relevant stakeholders (including the RVA), in order to enhance levels of understanding regarding key issues in the community and drive better outcomes for consumers.

4.2 Retirement Villages: Evolving to Meet the Needs of Seniors

Background

Retirement villages began to be developed in the 1980s, initially appearing in Victoria and New South Wales.

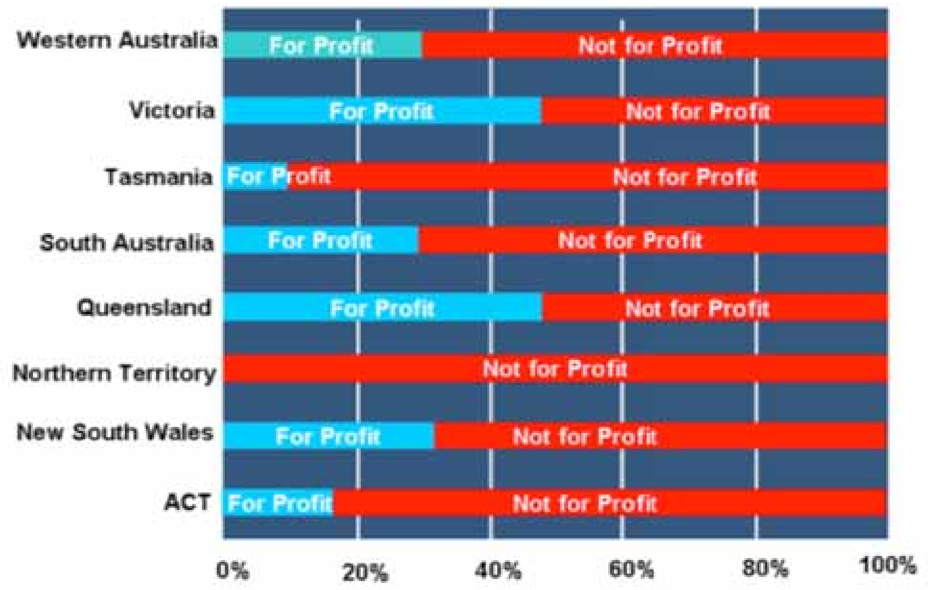
A retirement village essentially can be defined as a housing development designed specifically to cater to the needs and lifestyle of people aged 65 and over. The majority of people enter villages in their early to late 70s, as part of a move to downsize, decrease maintenance responsibilities, experience a greater sense of safety and security, or for health and lifestyle reasons. Not only has this lifestyle shift been of benefit to residents, but it has also freed up residential housing for younger families, stimulated the local economy and reduced the pressure on medical and hospital infrastructure.

The concept of a retirement village was originally based around a communal 'village' style of living that enabled residents to have access to lower maintenance housing in a more supported environment. Throughout the 1990s and into the new millennium, retirement villages were sometimes rebadged as 'lifestyle options' for retirees, with an extended target market of the over 60s. This type of village places a greater emphasis on lifestyle and leisure products and services, which, in turn, relaxes the demand on local services

A Thriving Industry

Today, the industry has evolved to include a broad array of housing, service and lifestyle offerings, with over 1,850 retirement villages operating nationally and strong representation spanning both private sector and not for profit interests.

Figure 1. Industry Composition



Source: Jones Lang Lasalle, 2009

In addition, the sector has received increasing attention from large listed entities and developers. This has brought with it a greater standardisation of professional benchmarks, greater service accessibility and a heightened industry profile.

Now we have an industry that is more economically and organisationally evolved than ever before. Our profile consists of:

- Approximately 60% of for profit operators, which includes two sub sets:
    - Larger groups operating multiple sites (e.g. FKP Aveo: 80 villages; Lend Lease Primelife: 71 villages; Stockland: 40 villages; Aevum: 35 villages). This cohort now represents around 40% of the industry.
    - Small to mid size independent operators, who manage one to three villages and who were the pioneers of this industry's growth. This group represents around 20% of the industry today.
- 40% of not for profit groups, including a range of church and charitable organisations (e.g. Southern Cross Care, Catholic Health, Anglican Aged Care). Many of these groups also deliver aged and community care accommodation and services.

The Accommodation and Service Spectrum

Retirement villages do not simply offer small units clustered in a seniors 'enclave'. Rather, they represent a sophisticated range of accommodation choices for seniors to live in integrated communities, receive flexible levels of care and support and enjoy a better quality of life.

The most common type of retirement village residence is generally known as an *independent living unit* (ILU), independent living apartment or villa. These homes can be one, two, three or four bedroom dwellings that form part of a high or medium rise complex, a terrace, be semi-detached or stand alone, depending on the nature of the development. ILUs/villas are largely designed to accommodate active or semi-active retirees who choose to live independently within a retirement village environment, although services are increasingly delivered into the homes of those who require additional support.

Serviced apartments are also often located in retirement villages and these provide supported accommodation for residents who require some assistance with the activities of daily living. Serviced apartments usually consist of studio apartments and one or two bedroom apartments, into which services such as cleaning and laundry can be delivered. Meals are also provided via a communal dining room setting, although a small kitchenette can also be found within many apartments. Although this form of service-rich accommodation should constitute an attractive option for frailer seniors, many operators experience higher vacancy rates in their serviced apartment stock because the apartments do not attract government care subsidies.

Seniors-friendly Tenure Arrangements

Tenure structures vary between operators and even between retirement villages in a single portfolio. Strata title ownership, leasehold estates, licences to occupy or company share arrangements all have their own related residency entitlements. Rental models are also emerging, though these tend to be utilised primarily in community, social or special needs housing.

Regardless of the tenure structure, resident rights are protected via provisions, which require ongoing consultation between the operator and resident about the ongoing management of a village. This ensures that the character and operation of the village cannot be changed without the consent of the residents.

It is important to note that, under current legislation (which varies from state to state), residents typically retain the same property rights as an owner, whilst having a long-term lease or licence.

On-site Amenities

Most retirement villages include some level of on-site amenity that supports or enhances the quality of life of residents. These can range from elaborate community facilities with seniors friendly gymnasiums and swimming pools, to consulting suites for visiting general practitioners, organised social outings, provision of transportation or meeting rooms.

It is also important to note that some villages offer facilities and services that are not only open to residents but can also be accessible to the broader community (e.g. Village Baxter in Victoria). These not only enrich the quality of life of residents and local people, but they can also reduce the drain on other public infrastructure in the community. Such amenities may include:

- Community centres
- Cinema

- Aquatic facilities
- Library
- Gymnasia / health facilities / recreational facilities etc

Safety and Security Features

One of the most attractive features of a retirement village for residents is the inclusion of additional safety and security features – elements that have been consistently identified as a vital element of an older person's general sense of wellbeing.

Retirement villages usually offer some level of on-site or off-site emergency call system and 24 hour monitoring service. This means that residents not only have the peace of mind of knowing that help is a phone call or call bell away, but that staff are often on site to provide first aid support as a minimum requirement right through to qualified nursing assistance.

4.3 A Customer-responsive Retirement Village Industry

Changing Consumer Profiles

RVA members have reported that the profile of residents is changing. People are moving into retirement village settings later in life and staying longer, often because of the range of health and support options villages provide. Indeed, studies have demonstrated not only the service and cost efficiencies of delivering care services into retirement villages[3] but more notably, the decrease in mortality risks when social relationships are strongly supported.[4]

The retirement village industry has therefore already begun to embrace a consumer-directed, service-driven approach to retirement village housing. Customers are increasingly demanding greater levels of care and support and they want clearly identified accommodation and service pathways as their care needs develop.

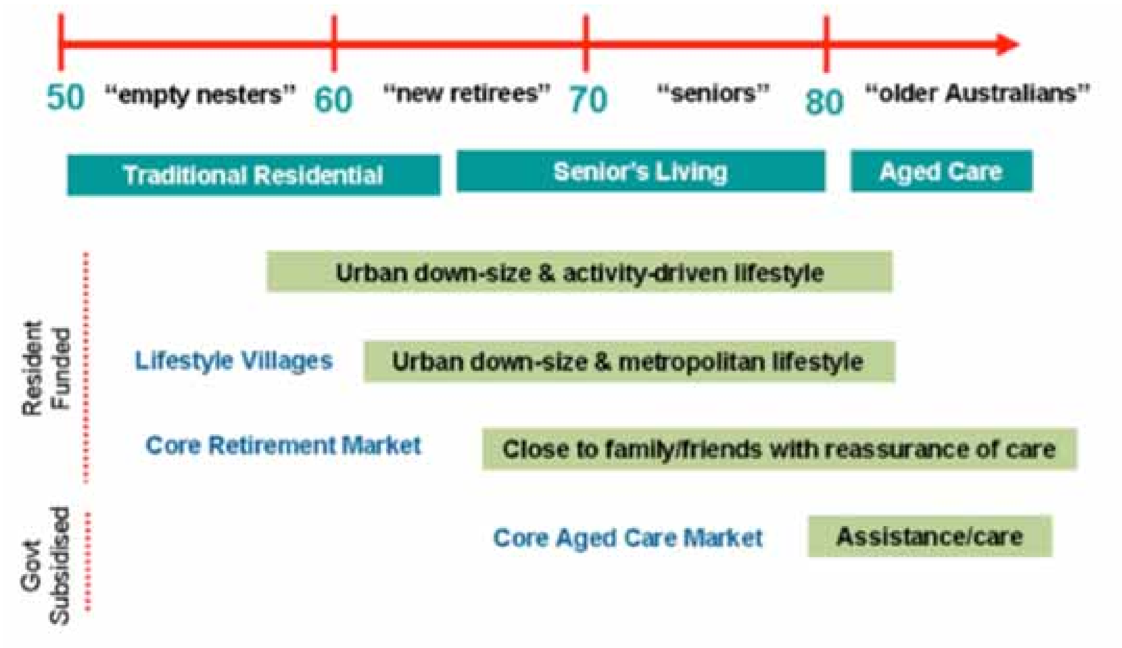
AHURI notes that

> *…The growth of service provision in retirement villages, and particularly in assisted living apartments, appears to have been stimulated in part by the slowing of hostel development from the early 1990s within the residential aged care program, and by the expansion of HACC and particularly CACPs which could be drawn on to provide higher levels of support and care. While individual residents could access generally available HACC services and care packages on the basis of assessed need, retirement village operators who were also Approved Providers of Commonwealth funded programs could apply*

[3] Australian Institute of Health and Welfare, *National Evaluation of the Retirement Villages Care Pilot: Final Report* (2006).
[4] Julianne Holt-Lunstad and others, 'Social Relationships and Mortality Risk: A Meta-analytic Review, *Public Library of Science, Medicine, 7 (2010), 1-20.*

for packages to be delivered to residents in their villages as well as to those living in the wider community.[5]

Figure 2. Senior's housing to Aged Care



Source: Retirement Village Association Ltd, 2009

The Productivity Commission's Inquiry, therefore, could not come at a more opportune time. Although the retirement village industry is already in the process of re-orientating to meet customer preferences, it is vital that there be corresponding support from all levels of government if any scale efficiencies and quality measures are to be maximised.

Many operators now offer a range of care options within and out of their villages, but are struggling with a system that hampers them from delivering the optimum outcome for the resident. In order to offer a range of low level and high level community care supports, or co-located residential aged care options, providers have to comply with a complex and overlapping mix of legislation, negotiate with a bewildering array of local, state and federal health and ageing stakeholders, and coordinate their service offering at a single site, multiple sites or overlay partnerships with other providers.

Maximising Consumer Choice

Unlike a move into residential aged care (which is usually predicated by a sudden decline in health or escalation of a neurodegenerative disorder rather than being a desirable step), it is important to note that consumers *choose* to live in a retirement village and generally view this choice as a way of enhancing their quality of life.

[5] Australian Housing and Urban Research Institute, *Service Integrated Housing for Australians in Later Life*, Final Report No. 141 (2010).

In this current climate of focusing on consumer-directed care options and maximising customer choice, therefore, retirement villages are already practical examples of housing that embodies and enhances freedom of choice, flexibility of choice and choice of lifestyle. That is not to say that the breadth of options cannot be further extended and supported: in the current environment retirement villages are resident-funded and receive no government subsidies, which hampers a truly competitive, market driven sector. The introduction of care subsidies for residents, or prioritised access to community based packages of care, for example, could ensure that retirement villages play an even larger role in housing – and caring for – older people, regardless of their level of need. Stronger linkages with aged and community care accommodation and services will drive this integrated service model even further.

Individual and Community Benefits offered by Retirement Villages

Retirement villages are a valuable element of the aged care continuum and should be recognised (and supported) as such. A village hub provides a number of individual and community benefits, spanning:

- Support for individuals to continue living independently rather than being forced into the hospital or residential aged care systems;
- Enabling residents to establish new social networks, the health and wellbeing benefits of which are significant;
- Provision of support services, site monitoring and other forms of care that facilitate better outcomes for couples whose care needs differ (and the co-location of on-site residential aged care can further support residents whose partners require high level care);
- A greater focus on quality of life, which in turn reduces the financial burden on government (e.g. preventative health programs that decrease pressure on the public health system);
- Access to on-site facilities, which relieve pressure on local community services;
- Lifestyle and leisure programs that can integrate with/complement local services and in turn better support the local economy;
- Maintain and enhance the character of the local community through the establishment of multiple close networks – seniors, social, health, exercise, volunteering, etc; and
- Establishment of senior's friendly infrastructure that relieves pressure on families, carers and government resources (including subsidised housing).

4.4 An Industry Primed for Growth

Demand Drivers

The retirement village industry is emerging as an economically significant provider of housing for older Australians. The importance – and scalability – of the sector's contribution should not be underestimated: nationally, retirement village housing accommodates more than 160,000 people, or just over 5% of those aged 65 and over, but at state level Western Australia has a penetration rate of around 7% and South Australia is nearing 8%. The combination of an ageing population and a greater understanding and acceptance of the benefits of living in a retirement village could result in national penetration rates in excess of 7.5–8% in the next 15 years. If the accompanying (and increasing) demand for care and support is overlaid, retirement villages in their optimal forms constitute meaningful, efficient service and accommodation hubs.

A Potentially Flourishing Pipeline

Retirement village operators are keenly aware of the demographic, economic, social and community benefits offered by such forms of senior's housing and a range of new developments are planned.

Currently, over 500 new villages, constituting more than 51,000 new units are either proposed, approved or under construction.

Table 1. Retirement Units in Development (2009)

	NSW	QLD	SA	WA	VIC	TAS	ACT	NT	Total
Number of Retirement Villages	600	262	393	192	356	38	28	1	1,870
Number of Serviced Apartments	2,910	1,495	1,071	282	1,672	53	22	0	7,505
Number of Independent Living Units	33,682	21,400	14,199	13,026	21,841	1,390	1407	64	107,009
Total Number of Units	36,592	22,895	15,270	13,308	23,513	1,443	1429	64	114,514

Source: Jones Lang LaSalle Retirement Village Database

Further, another 20,700 new units are either proposed, approved or under construction in existing retirement villages. These estimates include projects 'on hold', many of which, in the current restrictive climate, may not proceed or be deferred indefinitely.

Many of these delays have been triggered or accentuated by constraints associated with the global financial crisis, which has slowed construction rates and exacerbated the latent pent up demand for senior's housing.

A Significant Economic Contribution

Conservatively, the RVA values the industry at in excess of $50 billion of construction value alone. Based on an assessment of expenditure in the sector, retirement villages are thought to generate more than $3 billion per annum.

Even moderate growth projections of the over 65s demographic segment in the next four decades equates to some additional 5 million people requiring housing and support services. This will drive demand for senior's accommodation by virtue of population demand alone. High-level analysis by MacroPlan Australia conducted for the RVA indicates that even a 5% penetration rate will result in a need for an additional 520 villages nationally by 2027. To put it another way, around 62,500 to 134,000 new dwellings will be required in the next 15 years.[6]

[6] Jones Lang Lassalle, 2009

The impact of such construction would be economically significant – around $18 billion per annum (NPV 20 years), with generation of direct and indirect employment impacting almost 35,000 jobs per annum over the same period.

What these statistics suggest is that the retirement village industry, even at present levels, is demonstrating characteristics of a mature market including: sector consolidation and diversification; diversity in development models, and well articulated benefits and risks in respect to the sector.

What has been missing from this equation is an increased level of investment from government for the growth of the sector.

5 Retirement-specific Living Options: Opportunities

5.1 Summary

As has been demonstrated above, the retirement village industry performs a vital role in housing older Australians, but it arguably also has a critical role to play in the continuum of care and wellbeing. This role is likely to escalate as the population of senior's climbs and the requirement for targeting forms of housing becomes more pressing.

If the retirement village industry is not encouraged or supported by government in its endeavours to offer consumers more choice, local communities will face residential housing constraints and the accommodation and service options for ageing Australians will be curtailed. A stagnant retirement village industry, which currently receives little or no government subsidies, would result in a transfer of costs back to the public purse since the government would have to meet – and construct – the shortfall of appropriate housing. This in turn would restrict the options available to ageing Australians, not to mention hampering their access to the health and community benefits generated by a competitive retirement village industry.

There are, however, a number of opportunities for sector growth, which would benefit the government, the industry and, most importantly, the consumer.

5.2 The Context of Affordable Living

It is vital that all recommendations considered by the Productivity Commission are framed within the broad context of affordable living options for seniors. Maintaining levels of affordability has been a very important driver for the development of retirement villages, both in the cost of sites for development and in the price of units at completion. Affordability can be assessed in two key ways in respect to the retirement village industry:

- Lower cost of entry / purchase (where the majority of villages are significantly below the median house price for an area). This has meant that most prospective residents who consider moving into a retirement village can fund the move from the sale of their family home.

- Lower cost of living, in that there is lower upkeep and health related costs associated with village living.

A high proportion of seniors living in retirement villages (our members indicate upwards of 80% in some locations) draw a part or full pension. This highlights the ongoing challenges people face as they predominantly use their equity to come into a village and then have to budget for weekly expenses in a planned manner to ensure lifestyle and care needs are met.

Therefore, aids to assist affordability for the consumer, as their care needs advance should be a key priority for this Inquiry.

5.3 Quality - Industry Accreditation

Although quality drivers have been prominent in the retirement village industry as measures of sustainable business practice and resident satisfaction, quality benchmarks have been largely self-regulated. Villages are not subject to the same legislative compliance that governs aged and community care, although the RVA has developed a widely accepted accreditation scheme that undergoes continuous improvement.

The Australian Retirement Village Accreditation (ARVA) scheme was established to ensure member villages provide the highest levels of quality to residents. RVA membership includes a requirement for villages to become accredited, which ensures a quality framework that supports the highest industry standards.

The Accreditation process is built around 27 rigorous standards and independent assessment by surveyors. A National Accreditation Committee (NAC), made up of residents and industry leaders must approve all accreditation.

The success of this system is borne out of resident satisfaction rates – over 95% of residents surveyed through the accreditation process were satisfied with their retirement village, while less than 0.1% of cases in tribunals are RVA-accredited villages.

The RVA and its members argue that this system of accreditation promotes high service standards without adding a heavy compliance burden for operators. This is in stark contrast to the accreditation system imposed within aged care, which has been commonly characterised as a heavy handed, 'control'-oriented approach to quality monitoring, which focuses on the provider rather than the resident. The corresponding administrative burden imposed by the aged care accreditation system means that resources are being deployed away from customer care and into office-based compliance tasks.

The RVA believes that the goal of any accreditation scheme should be the practical support of high quality outcomes for residents via actions that do not place an unfair administrative or financial burden on operators; for this reason we urge the Productivity Commission to examine the current system of aged care accreditation in the context of the success of the ARVA.

The RVA also calls for greater cooperation between the retirement village industry and government with relation to a national retirement village accreditation scheme. The RVA is already working on two projects that will further enhance the accreditation process, including:

- The creation of an independently certified accreditation scheme (in association with ACAA and ACSA) that will be operated by an independent certified auditor on behalf of the industry (this is likely to be in effect in the latter part of 2010); and
- Development of a code of conduct for the industry that would ensure consumers and their families have an effective issues resolution process that would facilitate lower instances of tribunal matters nationally (which are already extremely low) and enhance consumer satisfaction.

Recommendation 2

Facilitate cooperation between government and the RVA to develop a well-planned, industry operated accreditation program and code of conduct that will ensure effective quality frameworks are enforced and maintained.

5.4 Funding

As mentioned above, a sustainable retirement village industry will increase the choice and range of housing for seniors and better facilitate a range of care and support options within local communities. Industry growth, however, is dependent on access to funding and the retirement village sector currently faces a number of financial barriers to growth or even the ability to achieve sustainable returns.

Current returns on retirement villages are significantly lower than other forms of residential property investment, meaning that operators cannot sustain – or justify – their retirement village developments from an investment return perspective. Similarly, the industry struggles to balance an investment model that brings a return, yet preserves affordability and service to the consumer.

Unchecked, this situation will lead to poor outcomes for seniors and for the wider community.

5.4.1 Access to Capital

Increasing access to capital for retirement village developments would be an important step in stimulating the industry, re-energising the competitive environment and heightening consumer choice.

Possible methods for achieving this include government sponsorship of a range of investment products and other such incentives for senior's housing. Specific capital raising mechanisms could include:

- Facilitating increased private equity / specific banking products for senior's housing / retirement village developers;
- Facilitating the establishment of syndicated retirement village specific investment products (as has been developed for commercial and residential real estate);
- Opening up superannuation to fund specific senior's housing;
- Expanding the government incentives for affordable housing for senior's targeted housing; and
- Developing a health insurance style of product that is targeted to senior's housing development;

Recommendation 3

Investigate a range of investment products/mechanisms that would generate capital for the sector (and thereby ensure more efficient, targeted delivery of senior's housing).

5.4.2 Taxation

Current taxation structures reduce potential returns for retirement village operators, which are already smaller than other property investment classes and have longer return time frames. As a result, many potential developers are reluctant to invest in the sector.

The recent draft ruling issued by the Australian Tax Office (ATO) regarding the treatment of GST in retirement village developments further provides disincentives to investment and development in the sector. It may further inhibit supply by rendering existing villages as not saleable or negatively impacting valuations to the extent that owners are in breach of loan covenants.

The importance of additional housing developments for seniors requires investment stimuli that could be achieved, for example, through GST free treatment. Tax exemptions for not for profit operators lead to a distinct cost advantage, that means the playing field is not level across the industry.

Recommendation 4

Introduce GST-free treatment for the development of retirement villages

5.5 Access to Land

Access to cost effective land is one of the key impediments to increasing the supply of housing for older people. This has a number of impacts including:

- Proliferation of senior's housing in fringe areas, where land is cheaper but infrastructure, transport and community infrastructure is in shorter supply;
- Lack of housing in inner - urban areas, where many older people want to age in place;
- Not promoting delivery of affordable housing;
- Not stimulating apartment style product that also meets government housing policy; and
- A lack of planning certainty for developers that mitigates against development as a consequence of long planning timeframes and increased costs.

Current planning systems are driven by the state and implemented a local level. This system is not conducive to accelerated planning to ensure housing is delivered in an appropriate range of formats for older people and in the locations they wish to live (and age in place).

The issue of senior's housing is so significant that a nationally driven, Commonwealth-lead set of planning targets (for a set quota of housing to meet demand in specific areas) would better ensure the ageing community is able to have access to housing.

Planning reforms that are targeted towards the delivery of senior's housing would assist the industry to deliver a wider range of products. Such reforms could include:

- Initiatives to speed up planning timeframes;
- Addressing local government disparity in the way in which senior's housing is assessed (e.g. Code accessibility);
- Adding a requirement for land purchasers to include a percentage of land development targeted to senior's housing;
- Allowing different zonings for retirement villages to be accommodated in association with other relevant uses (retail, commercial, mixed use etc);
- Allocating surplus public land specifically for specific senior's housing;
- Ensuring senior's housing targets for all developments, but particularly in inner urban areas and transport oriented developments (i.e. development around major transport nodes); and
- Providing other incentives to developers of senior's housing (e.g. Increasing height limits, lowering car parking requirements, floor space ratio incentives) in other or linked developments.

Recommendation 5

Implement federal planning reforms that will remove construction disincentives and encourage efficient delivery of targeted senior's housing.

5.6 Increasing Access for Consumers

There are a range of mechanisms by which older Australians could more easily access appropriate housing and care services. Longer-term options would not only open up choice but also reduce the burden on the public purse and better enable government to focus on those most in need. The RVA outlines here how some of these options might work:

5.6.1 Long Term Funding Scheme

The primary aim of long term funding schemes is the facilitation of access for consumers to funds that enable them to fulfil their housing and care needs as they age. Such schemes could take the shape of a long-term deregulated 'superannuation' or insurance style scheme, in which users effectively pre-pay entry into retirement villages and ultimately, their care costs.

The benefits of a long term fund could include: access to a significant pool of funds that can be utilised in a flexible, customer-centric way; a greater differentiation and span of products and services, and a reduction in drain on public expenditure.

In order to succeed, this type of scheme would have to be mandatory to, say, all workers over the age of 18 or in full time employment, or could be implemented in a similar way to private health insurance (that is, allow people to elect to use the scheme, with higher income earners receiving tax disincentives if they do not join).

Recommendation 6

Investigate the establishment of a long-term superannuation/health scheme that will relieve pressure on the health and hospital systems and better meet the needs of ageing Australians.

5.6.2 Equity Release/Savings

The RVA also urges consideration of options that would allow more scope for consumer directed service options and remove the current pension and assets testing disincentives for people to contribute to their future housing and care needs. This could take the form of equity release and savings schemes, which have been discussed in the Productivity Commission submission of Australian Unity (one of our most significant RVA members)..

The concept is based on the notion that people would be supported to downsize from the family home into targeted seniors accommodation (also freeing up housing for young families). If seniors were able to sell their current home and move into seniors living housing, without a significant diminution of their pension (as current assets means testing currently triggers), it could lead to a range of individual and community benefits, not least the more efficient delivery of health and care services into both seniors communities and the broader community.

Recommendation 7

Investigate equity release schemes for older people and remove economic disincentives.

5.6.3 Promote Greater Use of Under-utilised Assets

Retirement village operators have a significant and growing number of serviced apartments that are largely underutilised. The lack of consumer take up of this product is not down to their unsuitability for residents. Indeed, serviced apartments allow for the optimisation of land, create synergies with other infrastructure (retail, transport etc), contribute to government density targets, and they deliver economies of scale in care, meals and other community services.

Moreover, retirement village providers (particularly those that deliver serviced apartments) tend to facilitate as an adjunct on-site supports that lead to improvements in preventative health, socialisation and recreation / wellness opportunities for residents.

The sticking point in this otherwise strong model of service-rich accommodation is that residents in serviced apartments pay for their own care. Many of these ageing seniors would be eligible for low care residential support, but choose to live outside a ‘nursing home’. Neither are they eligible for community care packages. The costs to residents, therefore, are significantly higher in serviced apartments

Under a more equitable system, anyone residing in an approved form of senior’s accommodation should be automatically eligible for subsidised care services.

The retirement village industry proposes that, in the shorter term, people are incentivised to move into serviced apartments via supplementary payments to residents.

This could operate similarly to the Child Care Benefit Scheme, in which the individual receives the benefit, but it can either be claimed directly or through the operator. Key benefits include:

- Increased affordability for residents;
- More sustainable apartment model specific to older people;
- Efficient use of existing and planned infrastructure;
- Economic stimulus for future investment; and
- Ability to deliver aged care / assistance packages with more efficiency than in private homes.

Recommendation 8

Consider incentivising/supporting older people to move into serviced apartments via such measures as supplementary payments that increase living affordability.

5.6.4 Increasing the Viability of Rental Accommodation

There has been investment in Australia (and overseas) in rental retirement village accommodation targeted to seniors. However, in Australia, the financial model has proved challenging and has inhibited significant investment in the model.

An efficient rental model, however, is critical for many older Australians if a full range of housing options is to be offered. Rental options would assist many lower income retirees to gain access to purpose-built village environments that facilitate strong wellbeing outcomes and free up funds for public housing.

Rental models are even more important when you consider that the majority of people aged 65 and over have insufficient superannuation and many do not own their own home (traits which are likely to become even more common in the future). Without more support, these ageing seniors invariably end up in public housing or they are forced to seek rental options in housing that is not suitable to their needs as they age.

We therefore propose that consideration is given to the increase of rental subsidies to people who move into specific rental accommodation for seniors. Such a model could stimulate more viable outcomes for investors and hence heighten investment in this type of model – ultimately resulting in better outcomes for consumers by making cost effective living options more accessible. Other benefits could include:

- Minimal requirement for maintenance or upkeep of dwelling and grounds;
- Flexibility of options for residents (e.g. shorter term arrangements than ownership);
- Efficient use of existing infrastructure (optimising infrastructure already provided by the industry);
- Ability to target rental options to communities of specific needs (e.g. single women, people with disability, cultural groups etc); and

- Providing economic stimulus for future investment in this type of accommodation.

Recommendation 9

Work with the retirement village industry to investigate increasing subsidies for people moving into specific retirement accommodation that enables rental tenancy arrangements.

5.7 Separating Accommodation and Care

A key issue for all industries associated with housing and delivering care to ageing Australians is the current lack of separation between accommodation and care costs in government funding and legislative mechanisms. Under current arrangements the government effectively controls the amount of 'board and lodging' to be paid by the client (both on a weekly fee basis and on a capital retention basis from any accommodation bond), and provides a Government-indexed (not market indexed) subsidy to meet the costs of care services.

This issue – and some possible solutions – are articulated in detail in the attached submission by Stuart Shaw, the Managing Director of the Village Baxter, which is one of Australia's longest serving retirement village and aged care providers.

In essence, the unbundling of care and accommodation costs would not only allow the cost of care to be more appropriately benchmarked across both the residential and community care sectors but it would also ensure that care subsides can be better targeted to seniors. This, in turn, would give consumers a greater choice in where their services are delivered.

Recommendation 10

Decouple aged care service provision and accommodation costs from retirement villages (as has been applied in community care in residential homes).

5.8 Removing the Regulatory Burden

Although the regulatory burden experienced within the aged care industry is well publicised, the retirement village industry too, is struggling under the weight of regulatory burden that exists on a state-by-state basis. Given the changing profile of the sector, in which some operators span multiple states and have to adapt to multiple legislative requirements, the lack of operation efficiencies is set to underpin the issues associated with delivering cost effective outcomes for residents into the future. Many operators are faced with the management of complicated business models that increase administrative and compliance costs.

Current regulations, it must be acknowledged, are comprehensive and offer a high level of protection for the consumer. However, the constant changes and up-scaling of various aspects of regulation only serves to increase consumer uncertainty and adds cost to the industry. The net result is often the requirement to raise service charges, which impacts the resident and does not promote affordability.

Moreover, the changes to regulation are often raised in the context of reducing the level of tribunal cases that occur. This is a frustrating rationale for the industry considering retirement village-based tribunal matters represent less than 0.01% of all cases in each jurisdiction.

The retirement village industry therefore seeks more certainty and transparency in regulation, which could in turn be applied across jurisdictions.

Recommendation 11

Apply a whole of government approach to industry regulation that is focused on affordable, flexible accommodation and care options, which promote a transparent, fair legislative framework (not an unfair and restrictive compliance burden).

6 Attachments

6.1 Submission by Australian Unity

6.2 Submission by Lend Lease Primelife

6.3 Submission by Village Baxter

SUBMISSION TO THE PRODUCTIVITY COMMISSION

CARING FOR OLDER AUSTRALIANS: INQUIRY INTO AGED CARE

July 2010

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Table of Contents

1. Introduction

Australian Unity has been dedicated to enhancing the wellbeing of Australians for 170 years. We support the quality of life of our members and the broader Australian community through the provision of high-trust products and services that respond to the care, accommodation and financial needs of a population increasingly afflicted with the challenges of ageing and chronic disease.

We have some 300,000 members, more than half a million customers, and in additional to our health and investments businesses, we are experienced providers of service-rich accommodation options in New South Wales and Victoria. Our Retirement Living operations span 15 retirement villages and four residential aged care facilities, in addition to transition care, day respite, slow-stream rehabilitation, in-home respite and more than 100 community care packages (Community Aged Care Packages and Extended Aged Care at Home packages). Our model of care is based around the delivery of innovative, flexible and high quality homes and services to clients with varying degrees of dependence, care needs, situations and circumstances. Our independent living residents are predominantly aged 80 years and older, and are increasingly purchasing domestic and home care assistance in addition to funded packages.

As participants in a number of federal and state pilot programs (including the Retirement Villages Ageing in Place Initiative Pilot Program and Day Respite pilot with the National Respite for Carers Program in NSW, as well as a Victorian-based psychogeriatric pilot program), Australian Unity has a strong history of working in cooperation with various levels of the Australian Government to explore innovative service delivery models that better support and enhance the quality of life of ageing Australians. Our broad vision is encapsulated by the Australian Unity Wellbeing Index, a joint project between Australian Unity and Deakin University's Australian Centre on Quality of Life, which is widely recognised as the leading and most comprehensive measure of wellbeing in Australia. The Index measures personal wellbeing and quality of life through an individual's expressed satisfaction with their health, safety, personal relationships, community connection, achievements, future security, spirituality and standard of living.

Australian Unity's experience as one of the larger integrated retirement village, aged care and community care providers means that we are well placed to reflect upon the state of the aged care sector in its broadest meaning. To that end, Australian Unity acknowledges recent governmental attempts to incorporate a greater level of consumer-directed and consumer-protecting measures via discrete pilot programs and small-scale legislative changes. Nevertheless, we strongly support the wider concern in our industry that, without significant, broad-scale reforms, the creeping decay of Australia's aged care sector will not be halted. This is no better illustrated than in the activation of bed licences allocated over the last five years. If the aged care system was operating effectively, why is it that half of the aged care places allocated in 2005 remain inactive?

Providers will fail in their mission to care for current and future generations of older people because they are hampered at every turn by an industry structure where supply, funding, demand and costs are out of step. Command and control style regulation, implemented in a piecemeal manner, results in an overly-burdensome compliance framework as well as inadequate capital and recurring funding. Effective competition is suppressed, along with the service innovation that is critically required to respond to demographic changes and improve the quality of life of residents and clients – surely the measure of an effective aged care industry.

Australian Unity therefore welcomes the Productivity Commission's Inquiry, *Caring for Older Australians*, and is pleased to contribute to what we hope will be a meaningful review and subsequent reform of an industry that is no longer sustainable for providers, for the government, and most importantly, for consumers. In essence we argue that reforms need to recognise and address:

- the need for significant legislative change to address regulatory inefficiencies;
- the pressing need for more equitable access to retirement living, aged and community care services;
- the current barriers to service innovations that would promote or enhance a client's quality of life;
- the financial sustainability of the industry;
- the importance of comprehensive transition arrangements that protect residents by facilitating service continuity.

Our industry requires the tools and infrastructure to allow providers – whether of health, disability or ageing services – to take a whole of person approach, spanning health enhancement, socialisation opportunities and self development. Outcomes from government pilot programs in retirement communities suggest that an integrated service proposition can deliver socio-economic benefits to older Australians. To that end, Commissioners are invited to visit one such Australian Unity community to witness how valuable even modest reforms could be for older people and their carers.

2. Background

The Issues Paper released by the Productivity Commission in May 2010 provides an appropriate summary of the key issues underpinning the *Caring for Older Australians* Inquiry – issues that have long been recognised and debated in the public domain, most notably through Hogan's *Report of the Review of Pricing Arrangements in Residential Aged Care* (2004), the Productivity Commission's *Trends in Aged Care Services: Some Implications* (2008), the Senate Standing Committee's report on *Residential and Community Aged Care in Australia* (2009), the National Health and Hospitals Reform Commission's *A Healthier Future for all Australians* report (2009), the Productivity Commission's *Review of Regulatory Burdens: Social and Economic Infrastructure Services* (2009), and the Henry report on *Australia's Future Tax System* (2010).

Yet, despite the recent positive steps outlined in the Government's plan, *A National Health and Hospitals Network: Further Investments in Australia's Health* (2010), including the creation of a nationally unified aged care system, the proposed investment of $739 million in aged care (reported as equating to some 5,000 places and 1,200 packages of care) and the introduction of 'one stop shops' to ensure easier access to aged care information and advice, these measures do not address in any meaningful way how to:

- manage the future increase in demand for aged care services, as the number of people aged 65 and over surge in the next 40 years and those 85 and over quadruple;
- efficiently address the increasing prevalence of multiple, complex health and neurodegenerative conditions, which result in higher associated medical and care costs;
- cater to the consumer demand for increased choice, flexibility and service range, including the availability of service delivery in the home;
- balance the financial limitations of older people (most of whom rely on the age pension) with the fiscal pressures on government;
- counter the current and projected shortage of an appropriately trained workforce to support the needs of an ageing population; and
- deal with the consequences of the projected shortage and ageing of informal and unpaid carers.

3. Reform Directions

Where Australian Unity's voice may be valuable in this Inquiry is in our experience as a provider of the full spectrum of accommodation and services for older Australians: independent living to assisted living (both in retirement villages and in the broader community), right through to high level residential aged care. Given our participation in what are essentially three differently administered and legislated systems (retirement villages, aged care and community care), Australian Unity has witnessed first-hand many of the barriers preventing older people from accessing the level of accommodation and care they require, when they require it, and in the form they wish it. We therefore recommend that the Productivity Commission considers the following reform directions.

3.1 Sustainability of funding mechanisms

The financial return achieved by aged care operators is below sustainable levels. Optimum service delivery is compromised and ageing facilities are not being rebuilt. The funding of aged care is unsustainable, from both a capital funding and an operational perspective. The regulatory restrictions on accommodation bonds for high care residents, the inadequacy of current indexation methods to meet basic living and care expenses and the variations between aged and community care subsidy calculations all lead to diminished investment in the sector.

While Stewart Brown's surveys of aged care financial performance consistently highlight the steady deterioration in the operating results of providers,[1] the 2010 *Annual Survey into the Australian Aged Care Industry* undertaken by Deloitte illustrates the inability for many providers to plan future aged care developments. Three quarters of those surveyed indicated that they have no intention of expanding their operations through acquisition of existing services and 61% have no intention of undertaking any new construction activity. Almost half of respondents indicated that debt finance was their principal funding vehicle, but only 35% of these were confident in securing that finance.

A little-cited but extremely illuminating statistic that supports this picture of diminishing aged care investment can be found in the Senate Official Hansard for 4 February 2010, which cites the total of low care and high care places allocated in Aged Care Approval Rounds between 2003 and 2009 but not yet made operational. In 2004, for example, 8,905 places total were allocated; as at February

[1] Stewart Brown, *Aged Care Financial Performance Survey, Year Ended 30 June 2010* (2009).

2010, some 2,407 or 27% of these places are still not operational. 54% of places allocated in 2005 are still pending activation, and the figures for 2006 and 2007 rise to 62% and 82% respectively. Even if the possibility of delays in planning approvals or similar are considered, the fact is that a significant number of providers simply cannot bring aged care places on-line under the current funding model, despite the inherent demographic growth of the sector.

Australian Unity believes that, without a significant rebalancing of both accommodation and care costs and a reconsideration of who should pay and what they should pay, the residential aged care industry will further deteriorate, preventing the service delivery expected by the community and increasing pressure on carers and community care services until these too collapse.

In short: flexible, high quality service delivery is borne out of a healthily competitive environment. Competition is best stimulated through investment in new accommodation and service innovations – but innovation is not possible in an environment in which providers' revenue and services are so tightly controlled, often at prices below cost, that they are unable to expand or tailor their services to meet the changing needs of residents and clients.

RECOMMENDATIONS

i. **Allow more scope for partially subsidised, consumer-directed options and remove disincentives for people to contribute to their future care needs through equity release and savings schemes.**

Australian Unity urges the investigation of equity/capital release schemes that support consumer investment into retirement villages or similar seniors accommodation that allow for the efficient provision of ageing-in-place community services. A 'Seniors Living Scheme' could facilitate downsizing from the family home to more appropriate seniors housing and in doing so, free up equity to assist in care provision. Such a scheme could be cost-neutral or better to government yet deliver improved health and social outcomes for participating individuals. It also recognises that consumers increasingly prefer to rely on a range of community care options for as long as possible, delivered within the accommodation setting of their choosing, such as their current home or independent living unit.

There is currently a disincentive for part or full pensioners to release equity from the family home to assist with living or care costs. If people aged 75 or over were able to sell their current home and move into seniors living housing without a significant diminution of their pension, it would have three major benefits to the community. Firstly, this scheme would increase the availability of community care because it would allow more efficient delivery of health and care services. The higher density living in retirement communities is a more resource efficient delivery mechanism, supporting more care for the same dollar while at the same time, enabling an increase in the frequency of service for individuals requiring such care. Secondly, it would encourage those who have a significant asset in their current home to upgrade to what may be more appropriate housing yet at the same time contribute to the cost of services they benefit from. Thirdly, the scheme would also preserve and expand available family-sized housing stock in established suburbs, thus supporting an important community priority to efficiently increase the availability of housing for young families.

How could this scheme work?

An 80 year old sells their current home in a well-established middle suburb for, say, $850,000. Statistically, this person is likely to be a full pensioner. They purchase a retirement unit in a nearby suburb for $500,000 and after all selling and relocation costs, have realised over $300,000.

Currently, this money would result in a *reduction* of their pension by up to 70% and, given the uncertainty of investment markets, create no improvement in perceived financial security and quality of life. If, however, these funds were excluded from the aged pension assets and income tests, or contributed to a retirement financial instrument in some form, a disincentive for older Australians to contribute to their future care costs would be removed.

The option of specified purpose financial instruments and insurance schemes (or similar) have been considered for disability funding and are available in other western countries. One recent initiative is the Community Living Assistance Services and Supports (CLASS) Act in the United States, which is a national, voluntary insurance program to facilitate community living services and support. The program is financed through monthly premiums paid by voluntary payroll deductions (on a sliding scale) and individuals receive a cash benefit based on their degree of assessed need.

It is time for a new category of financial instrument to efficiently facilitate the necessary investment in this sector. We urge the Productivity Commission to recommend the removal of the current disincentives (as outlined above) and in doing so, we predict that the market would respond by creating innovations to support the broad proposals outlined here.

ii. Further uncouple accommodation and care costs.

Separation of the cost of accommodation from the cost of care service provision is already established in the delivery of community care into residential homes and retirement units and to some extent in low care residential services, with the quantum of accommodation bonds paid generally correlating with better standards of accommodation. Further extending this established principle to all aged care services will stimulate competition between providers and allow the varying preferences and wealth of clients to be better matched with service delivery.

iii. **Benchmark the real costs of care and accommodation provision across the aged, retirement and community care sectors and determine the most efficient split between client contributions and government subsidies.**

Relative to the cost of care delivery in residential aged care and retirement villages, providers would attest that 24 hour high care cannot be delivered cost-efficiently into suburban houses, yet little data exists on the relative efficiencies of care delivery in each setting. Benchmarking these costs will allow more efficient resource allocation and, without taking away consumer choice, enable a more rational basis for client contributions to the overall cost of care in each setting.

iv. **Abolish the restrictions on high care bonds (and abolish 'low care' and 'high care' categories in residential and community aged care, as outlined below) to encourage investment in residential aged care by investors and operators.**

Recent increases in the provision of community care places over residential aged care supports consumer preferences to remain in an independent living setting for as long as possible. However, not everyone can be supported in the home and at the same time, funding for the lowest levels of residential care has been cut. These two issues have meant that providers have to adapt their business models to cope with the increasing proportion of high care services delivered in their facilities. However, the sector has so far failed to find a sustainable business model that supports this shift to higher dependencies in residential care.

Providers also recognise that with increasing longevity and a rising incidence of dementias, the role of residential aged care will continue to change further in the future. Notwithstanding this, uncertainty over government policy, combined with the poor returns and dismal outlook for the sector, has led to insufficient investment in residential care and a bleeding of capacity from the system.

A significant proportion of older people currently receiving community care services will inevitably require residential care. However, this 'wave' of high care clients will not be adequately served by a system in which capacity for residential care delivery has been restricted through slow build-rates and the absence of capital support for high care delivery. Without action to support capacity building, residents will be unable to gain access to appropriate care and a surge in hospital demand will be inevitable – and with that, higher per-day care costs.

In our experience, under current arrangements, the cost to purchase land and build an aged care facility to meet the care needs of the community is more than the available accommodation bond income from only low care residents. The ability to debt finance this type of development therefore reduces unless higher equity contributions are made. Higher equity contributions and a slow, long tail for equity return often renders development of new residential aged care facilities unviable as the return (if any) is not commensurate with the level of risk. A mismatch between low margins and high risk (both finance and construction) therefore renders this style of development unattractive to capital providers/ developers and impedes the supply of operational places in spite of the inherent demand. Providers will continue to experience funding difficulties unless all residents with the ability to pay for their accommodation contribute in a meaningful way.

3.2 Role of Retirement Villages and Seniors Accommodation

Although it has been acknowledged in the Productivity Commission's Issues paper that retirement villages are playing an increasingly important role in accommodating older Australians, the retirement village industry is viewed and treated by most as a distinct and separate accommodation and service model from that of aged care. It is striking that, until its appearance in the Commission's Terms of Reference, there have been no serious, broad-scale moves towards streamlining, utilising or engaging the retirement village with the community care or aged care sectors. Nor has there been any recognition at governmental level of the economic, social, health and planning benefits of retirement villages and their suitability as an element of social infrastructure for an ageing Australia.

Australian Unity operates accommodation and services spanning all of these elements, so we have become increasingly aware of the synergies and benefits offered by a more integrated approach to aged-specific accommodation and services. In our experience, community care can be provided efficiently into retirement communities, with residents benefitting from the scale efficiencies that come from providers who are able to offer a flexible range of services to suit the residents' needs without the inefficiencies engendered by broad geographic spread.

As participants in the 2003-04 Retirement Villages Care Pilot, we witnessed firsthand the improved wellbeing residents experienced in receiving packages of care earlier than might otherwise have been the case. We were also able to provide personalised services that had high preventative care and social support benefits (such as brief daily visits to support medication management, which also highlighted the sense of social isolation experienced by the resident and meant that lifestyle activities and socialisation could be offered – and personal wellbeing enhanced), at relatively low cost given the co-location of residents on a single retirement village site.

Yet there are real and perceived barriers to older Australians entering retirement villages and benefitting from associated support services. There is also a lack of service coordination between care providers, retirement village/seniors accommodation operators and government funding mechanisms.

RECOMMENDATIONS

i. **Remove the distorting barriers for consumers to adopt retirement village/seniors accommodation options.**

A move into a retirement village is fully resident-funded, with the majority of tenure structures founded on the sale of the family home (or the availability of cash/assets which will cover the entry fee). Residents of retirement villages could be offered incentives to recognise the reduced burden on government funding they incur by moving into community living settings, such as through a community living supplement or additional carers supplements.

See also above, Section 3.1.i for discussion of equity release incentives.

Consideration could also be given to a closer alignment between entry into a retirement village and care provision, such as automatic access to community care packages (where assessed as required by existing Aged Care Assessment Teams), regular health checks and similar preventative health initiatives.

ii. **Remove punitive tax treatments in the construction of retirement villages.**

As is the case for aged care developments, retirement villages (or similar) typically experience slower, lower development returns than other residential communities and are therefore more difficult to secure the necessary debt funding.

To compound this, the recent draft ruling issued by the Australian Tax Office (ATO) regarding the treatment of GST in retirement village developments provides a disincentive to invest in seniors accommodation. In addition to suppressing vitally needed new investment in affordable housing for the aged, such a treatment could both immediately render existing villages unsaleable and also place many current developers at risk of breaching bank covenants. In addition, the current ATO view would place a question mark over future investment in existing villages, including the upkeep of facilities and herald a significant decline in the value of a resident's main asset.

Consideration should instead be given to recognising the resource efficiency retirement villages provide to the aged care sector and the social benefits to residents and eliminate tax disincentives for retirement village construction. This should include confirming that no GST is payable on resident loans on the sale of co-located retirement villages and aged care facilities.

iii. **Investigate the under-utilisation of serviced apartments in retirement villages and provide appropriate funding to residents and/or providers, which would assist affordable living and maximise existing service and accommodation infrastructure, stimulate future investment and maintain service delivery efficiencies.**

Consideration should be given to rewarding retirement village providers who facilitate on-site support programs that lead to an improvement in preventative health, socialisation and personal development opportunities for residents. This could be achieved, for example, by prioritising community care packages for accredited retirement villages (or similar) who offer (or broker) on-site service availability.

Residents currently residing in serviced apartments pay for their own care. Many of these residents would be eligible for low care residential support but choose to live outside a 'nursing home'. The shortage of community care packages means that many of these residents do not have access to such services. Under a more equitable system, anyone dwelling in an approved form of seniors accommodation should be automatically eligible for subsidised care services.

iv. **Create a forum that encourages closer engagement between government, consumer and seniors accommodation stakeholders (via peak bodies such as the Retirement Village Association) to better understand the retirement village product and its role in broader community infrastructure, health and planning.**

Australian Unity's annual resident survey, which is founded on the disciplines of the Australian Unity Wellbeing Index, reveals that residents in retirement villages have significantly higher wellbeing compared to the general population. Our data revealed that residents in Australian Unity villages rated their personal wellbeing at 80.3 points in 2009, compared with a like (age demographic) sample of people living outside retirement villages (who scored 77 points). The Deakin researchers noted this was statistically significant and thus noteworthy, since the Index's ten years of research has found that Australia's wellbeing is generally fixed within a small band between 73.5 and 78.5 points. These findings therefore highlight the importance – and the impact – of well designed and flexible accommodation and care services that focus on improving the quality of life of residents.

There should be greater recognition of the important role of seniors accommodation in broader planning, community and health infrastructures. Not only will support of retirement-village-style downsizing result in a greater level of private housing availability for young families within established suburbs, but the more efficient and tailored delivery of support services possible in higher density living could lower the cost and rate of cost inflation and reduce demand on acute health services.

3.3 Access and choice

The Consumer-Directed Care pilot acknowledges that current and future consumers of health and ageing services expect a greater choice, diversity and flexibility of accommodation and care options. Industry reforms must therefore permit and even incentivise innovation in the provision of age-appropriate housing as well as support services that promote health, independence and broader individual wellbeing. To achieve this, the government should consider the following:

Recommendations

i. **Removing the supply constraints on the provision of aged and community care places and ensuring that entitlement is assessed on the basis of need.**

   There is no humanitarian basis for the denial of care services to eligible seniors, yet artificial regional allocations and inadequate supply means that every day people are asked to wait for a package to become available before services can be provided. Access to the Pharmaceutical Benefits Scheme or unemployment benefits are not rationed by geographical region (or any other factor), so why are aged care services?

ii. **Allowing consumers to choose their service mix and delivery model and their preferred service provider.**

   Australian Unity recommends investigation of the 'Programs of All-Inclusive Care for the Elderly' (PACE) service model in the United States, in which eligible adults (aged 55 and over) who would otherwise require high level residential care are entitled to an interdisciplinary range of community-based care and services, including primary care, nursing care, prescription drugs, physical therapy, occupational therapy, day care, meals, social services and transportation. These programs of care, which are funded through the public health system (Medicare equivalent), are reimbursed on a fixed per member per month rate, with the provider then responsible for all of the health and care services their client requires. PACE providers therefore have a strong incentive to assist their clients to remain as healthy as possible and invest in a high level of preventative services. This in turn lowers the number of expensive hospitalisation episodes and allows for redistribution of government funding to better subsidise whole-of-person care and support structures. This style of reform could be combined with private insurance-style schemes that encourage those who can afford it to set aside funds to contribute to their future care (with appropriate incentives).

There are working attempts to move in this direction and on a smaller scale, Australian Unity has a wellbeing hub of services in Western Sydney, spanning independent living, residential aged care, community care, rehabilitation and day respite services. The integration and alignment of these accommodation and service streams allows for a smoother transition of services from one level to another and results in a greater level of cross referrals, cross participation and higher levels of client wellbeing.

iii. **Allowing providers who have the capacity to provide more services do so to ACAT-qualified clients without having restrictions on the number of places/packages.**

iv. **Promoting a case management approach by providers that not only spans care services (including palliative care, dementia care, respite and transition care) but also a broader wellbeing focus that supports the inclusion of health enhancement, socialisation, advocacy and personal development services.**

Australian Unity suggests that, in the context of residential aged care, approved Quality of Life programs could attract additional ACFI points (beyond the current categories of 'activities of daily living', 'behaviour supplement' and 'complex healthcare supplement'). Effective delivery of such programs today will result in reduced funding, so provides a disincentive for providers to invest in improving the quality of life of residents. Compensating providers who demonstrably reduce the ACFI score of clients by way of financial supplements (e.g. 50% of ACFI difference between their old and new score retained by the operator) better aligns payment with desired outcomes.

v. **Streamline planning across sub-acute, community and aged care systems.**

A single system of planning regions, rather than the current arrangement of federal, state, regional, health and local service boundaries is an existing impediment to an efficient aged care system. While boundaries would have to be carefully transitioned to ensure existing service continuities, a single demarcation system would allow far greater provider flexibility.

3.4 Quality

While the replacement of a place-based aged care system with a more competitive, integrated needs-based system of support would enhance and expand the quality and breadth of service provision for consumers, consumer protection measures should not be forgotten. A system of accreditation and compliance remains vital in the provision of quality care, by qualified, appropriate providers. However, as reviews of the Accreditation system and Complaints Investigation Scheme have demonstrated, the vast majority of industry stakeholders believe the current system of regulation and legislation is unduly output (rather than outcome) driven and comes at the expense of efficiency and service quality.

Recommendations

i. **Ensure that there is a single entry point to the health and ageing network so that the eligibility of government-subsidised clients is consistently assessed and monitored.**

ii. **Introduce quality of life measures in accreditation standards.**

iii. **Ensure that there is regulatory and funding protection for those disadvantaged and special needs groups for whom additional support is required.**

3.5 Workforce

Given that just under half of Australian Unity's total workforce is employed within our Retirement Living and aged/community care business, we are keenly aware of the increasing workforce supply issues in aged and community care, not to mention escalating wage cost pressures and the need for detailed planning, training and education that will sustain the health and ageing sector in the long term.

The industry is facing human resource challenges caused by an ageing workforce, a shortage of volunteers and informal carers, difficulties in attracting and retaining skilled nurses and allied health staff, all of which are compounded by a lack of competitive remuneration industry-wide. Technological advances and greater staffing efficiencies cannot eliminate the labour-intensive nature of aged and community care work – only a certain level of productivity and efficiency gains can be achieved and current industry structures do not allow for staffing flexibility or skills transfers across health and ageing sectors where staff rotation may be of benefit.

Care staff increasingly struggle to balance care outcomes, clinical support and regulatory/administrative requirements and staff turnovers can be disruptive to clients and residents and undermine their greater wellbeing. Suggestions to combat workforce challenges include:

Recommendations

i. **Provide more entry level training, including training conducted in the first languages of migrants to enable better support of the increasing diversity of residents.**

ii. **Creating a certificate training program for all areas of care provision, whether residential or community care, to improve skills and facilitate a more flexible workforce.**

iii. **Greater financial support for pastoral care workers, who can take pressure off many care workers (who often fill this void for residents with limited family support/networks).**

4. Transition Arrangements

Although industry change must be both widespread and comprehensive, interim steps that should be considered as part of transition arrangements include:

- Introduction of high care bonds in residential aged care;
- Gradual realignment towards a consumer-directed care model, which would open up choice;
- The introduction of consumer-directed care packages more broadly across the industry;
- The introduction of care subsidies to residents living in serviced apartments;
- The relaxation of existing assisted living/seniors accommodation funding incentives to all aged care and retirement living approved providers; and
- The removal of restrictions and/or the introduction of tax incentives, land release schemes or grants/low interest loans to allow at least a modest return on investment is necessary to inject both capital and innovation into the industry and provide consumers with greater choice. Land release schemes in the model of the Aged Care Land Bank, piloted by the Victorian State Government, for example, could be extended to all providers across the sector and less restrictive in service type and federal/state/local land planning mechanisms adapted to incorporate a stronger preference for seniors accommodation. Financial incentives, akin

to the rebates offered through the National Rental Affordability Scheme and Zero Real Interest Loans, could also be on offer to all approved providers and take a wider geographic or demographic focus.

July 2010

Lend Lease Primelife

6 August 2010

Stewart Plain
Director
Productivity Commission - Caring for Older Australians
PO Box 1428
CANBERRA CITY ACT 2601

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Dear Mr Plain

Submission to the Productivity Commission – Caring For Older Australians

The management team of the Lend Lease Primelife - Retirement Living (LLP) would like to thank you for the opportunity to provide a submission to the Productivity Commission in relation to the inquiry into caring for older Australians.

Introduction

The retirement village Industry provides an opportunity for consumers over the age of 65 to choose a lifestyle more aligned with their desire to age in place in an environment specifically designed for an older population. Villages provide significant social interaction, infrastructure and choice in relation to health and lifestyle. A valuable community knock on effect of residents moving into villages is that it frees up valuable residential accommodation to meet the growing population needs of most towns and cities across Australia.

Whilst all stakeholders including residents, operators, State and Federal Governments have all benefited from a viable retirement village industry over the past decades, continual regulatory change over time have created and continue to create more challenges for the industry. To this end, the constriction on cost recovery from residents and lack of funding and support from government continue to threaten the viability of some operators in the sector and certainly deter private investment and new accommodation to be constructed. All future stakeholders need to keep the Retirement Village industry competitive and viable to attract ongoing private investment and alleviate the pressure on government funding in public housing and aged care.

The Industry Sector

The retirement village industry in Australia comprises over 114,000 accommodation units providing accommodation for over 145,000 retirees. LLP operates 58 retirement villages in Australia providing over 10,800 accommodation units to over 14,500 seniors. Currently, LLP has a net investment of over $900m in its retirement portfolio and over time $2b has been committed by the business through acquisition and development of these communities.

The entry price to a village is typically 80% (or less) of the median house price in the locality. The decision to move into a retirement village is generally made in order to downsize and reduce domestic obligations such as cleaning, maintenance and gardening. The decision is made easier as residents can use the surplus from the sale of their home for lifestyle benefits, assistance with everyday living activities or help with personal care and health care, where adequate or appropriate funding is not available. This is also especially important to those that have not adequately planned their retirement through superannuation contributions. The ongoing costs in the village are generally much less than staying in the family home.

The concentration of retirees in a village achieves significantly reduced domestic costs such as repairs and maintenance, insurance, security, emergency response and telephone line rental. This is especially the case in larger villages or for multi-site operators such as LLP.

By way of example, a resident in an LLP retirement village need only pay between $280 to $500 per month (depending on the size, location and facilities of the retirement village) to cover village management and maintenance staff costs, council rates, water rates, repairs and maintenance, insurance, security, emergency response, village bus, a community centre, swimming pool, gym, bowling green. Other than the emergency response costs, most of the costs are associated with accommodation, not care.

In addition to the financial accommodation benefits to residents, the sector offers care, lifestyle, security, community and companionship to a growing population, thereby reducing pressure on existing social infrastructure and the obligation on the public sector to meet such needs in future.

In a retirement village, development infrastructure such as roadways, footpaths, kerbs and street lighting are maintained by sinking funds, long term maintenance funds or capital replacement funds that are funded by the residents and or the operator. In some cases council services such as rubbish collection is also paid for by residents directly to private companies. Village facilities such as gyms, libraries, bowling greens, aquatic facilities and village centres mean there is little need for residents to use the public facilities.

Accommodation Types

Independent Living Units and Apartments

The most common type of retirement village accommodation is a villa or unit, generally one, two, three and sometimes four bedrooms. Generally these units form part of either a broad acreage or medium rise development and are designed for independent living. The design of villages, provides for specific and diverse housing, and allows for care and hotel services to be provided in a more cost efficient manner than in the broader community

Serviced Apartments

An alternate form of accommodation provided in retirement villages is a serviced apartment. Serviced Apartments ("SA's") are typically studio apartments (sometimes referred to as bedsit apartments) or one bedroom apartments. SA's provide supported accommodation for residents who require some assistance with daily living. In addition to the accommodation services and emergency response, outlined above, services in SA's typically include the following:

Hotel Services

- Weekly apartment clean
- Full linen change
- All meals provided (generally in the communal dining room)
- Laundry
- Bed making
- Disposal of rubbish and recycling
- Cleaning and defrosting of refrigerator
- Dusting
- Daily walk
- Reading or letter writing
- Newspaper delivery
- Butler services

Personal Care Services

- Showering assistance
- Dressing
- Undressing and assisting into night clothes
- Compression stockings –on/off
- Shaving-electric
- Setting out clothes
- Hair washing
- Grooming assistance

Challenges for LLP and the Industry

High vacancy of Serviced Apartments

Of the 10,800 accommodation units in LLP's Australian portfolio, approximately 1,000 of these are serviced apartments. Due to many challenges in recent years, over 300 of these units (more than 30%) are now vacant. Any efforts to resell vacant SA's have become increasingly difficult as Government has progressively provided funding through HACC, CACPs and EACH packages to ensure the elderly remain in their own homes. This is disappointing as serviced apartments offer a range of benefits including the ability to provide services and care economically, the ability to optimise land in positions that are close to infrastructure and the ability to provide social interaction and companionship.

The challenges faced by the industry in relation to SA's can be summarized as follows:

- **Service Fees** – In SA's the monthly service fees are funded entirely by the residents. In the LLP portfolio, monthly service fees range from $1300 pm to $2000 pm. Service fees greater than $1400 pm are a large stumbling block across the portfolio as at this point the service fees exceed the single aged pension rate. Whilst some seniors may prefer to reside in a serviced apartment and amongst other services, benefit from a community environment, companionship, freshly cooked meals and on-site care staff, they choose to reside in their own home where they can access HACCs and CACPs funding and associated services.

- **Loss of Pension**- With the struggling sales of SA's in recent years, the natural market reaction has been to decrease the apartment prices. The average price of a SA in the LLP portfolio is now $160,000 compared to a median house price of $660,000 in the respective areas of where the SA's are located. This means that when a senior sells their home to purchase a SA, the residual funds (approx $440,000) are captured in the pension asset test and they lose their aged pension. This is contrary to the treatment under residential aged care where a resident's former home is exempt from the pension assets test for two years (and longer if the person's partner is living at home). Residential aged care also has another alternative not available for SA's. A resident's former home can be rented out to pay some or all of a periodic accommodation bond payment, with the former home and rental income exempt for as long as the periodic payment is made.

Therefore it is our opinion that whilst community care packages were developed in response to research that indicates most aged people have a desire to receive assistance in their own home. Unfortunately the current regulatory and funding structures have inadvertently steered seniors to remain in their home alone as opposed to look for community alternatives such as SA's. With this, it is our recommendation that the following areas should be considered by the Productivity Commission.

- Ensure funding is allocated so that that choices are not limited
- Ensure that funding allocation is based on the costs of providing services not on the funding sources.
- Ensure funding and care is allocated and accessible to those that cannot afford to pay for services they need.

Development Challenges

LLP is continually challenged in relation to the development viability of retirement villages. Due to the continuing regulatory restrictions being placed on retirement village operators and developers, new developments are becoming less viable and more difficult than they once were. Lend Lease Corporation is also involved in residential developments through its Delfin Lend Lease and Vivas Lend Lease brands. When the business compares the development returns of traditional residential developments to retirement developments, the returns are much greater for traditional residential development, thus the allocation of funding is to where the returns are greater. Retirement village development also increases density (due to the smaller footprints of a typical retirement village unit) and so plays to the state government's objectives of increasing density in the key urban centres. Given the benefits provided by retirement villages as outlined above, it is imperative that that the private sector is incentivised to continue to invest into the retirement sector. It is our recommendation that the following areas should be considered by the Productivity Commission:

- GST/Income tax concessions for the retirement industry
- Subsidised care services to be more accessible and easier to administer
- Planning regulations to be more flexible for retirement village developments
- Concessions be provided for council rates and taxes given the
- Infrastructure or building grants

Please do not hesitate to contact me if I can provide further detail. We look forward to discussing this submission in person at your convenience.

Yours faithfully

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Village Baxter

29th July 2010

Productivity Commissioners
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Dear Commissioners

Thank you for the opportunity to contribute to the discussion on the future needs of caring for older Australians. On behalf of the Village Baxter, I am pleased to be able to provide the following matters for consideration and discussion.

The Baptist Village Baxter is a continuing care retirement community located in Frankston, Victoria. Over the last 30 years, the Village has provided a continuum of care to over 800 persons on site each year and, over the last 15 years, another 800 persons in the broader community receive services each year from the Village.

The on-site services have provided a range of accommodation options, from a mixture of bed-sitter, one, two and three bedroom independent units, flexi-care apartments, and low care and high care services in Government funded Hostel and Nursing Home (Village Manor).

In addition to the on-site services, the Village operates a 'HACC' funded day centre to provide support to carers in the community through enabling the carers to have some respite from caring for their loved one and to 'recharge' their spirit for the often challenging demands of care delivery in the home. The day centre provides support for the very frail or those persons with dementia.

Our off site services in the broader community cover an area of some 40 square kilometres and include the following:

- Community Aged Care packages
- HACC services
- Post acute care services for two major hospital networks
- Department of Veterans Affairs Home care services, and
- Private fee paying services

These services cover the full range of community care from daily living activities, housekeeping, shopping and meals, transport and socialisation.

Within the independent / apartment residential settings, residents are able to receive services from any of the programs to enable them to continue to live in their present accommodation. This opportunity delays the necessity to relocate from your home into a residential care setting. However, should the need arise whereby a person's care needs are best met through relocation, this occurs seamlessly and with the surety that the person is still in familiar surroundings. This, of course, has the added benefit of current friends being able to retain easy contact with the person relocating.

With this experience of providing both care and accommodation, we would believe that many of the processes that apply within the Village could be translated into broader Government policy.

In relation to the Productivity Commission enquiry, we have provided the following views for your consideration.

Inquiry into Caring for Older Australians

Introduction

The Aged Care system in Australia is regulated through a range of different legislations that attempt to provide a framework for the industry, consumers and Government. The principal pieces of legislation cover the following main issues:

- Fees that can be charged to consumers (both recurrent and capital),
- Government subsidies that will be payable for various resident classifications,
- Quality processes that must be followed by the industry,
- Building standards and associated issues that must be met,
- Means by which providers 'enter' the industry and requirements that must be maintained, and
- The assessment processes that apply for people seeking to receive services from the industry.

Despite these various pieces of legislation that attempt to provide a working strategy for the sector, the aged care system is suffering from, amongst other things:

- Ineffective choice of service options being made available to consumers,
- Delays in services being provided to consumers through delays in assessments,
- Inadequate financial returns being generated to meet the expectations of consumers, government and the sector in improving building stock and in the provision of services,
- A quality process that has not met (and will not meet) the needs of all stakeholders in the sector,
- Substantial wage disparities between the acute and aged care sector that make it difficult to attract and retain staff in the industry, and
- Building costs making development prohibitive for providers.

As such, it is time that all the stakeholders concerned for the future of the sector had a reappraisal of the current approaches to aged care delivery in Australia and, took the unique opportunity to establish a significant shift in policy direction with a new focus than can develop long term, sustainable, systemic change within the industry to enhance the sector and services provided to older Australians.

Setting the Scene

The Government currently regulate the number of 'bed places' and 'community care places' that will be made available to the community through a planning ratio. These approved 'places' will then be eligible to receive an amount of Government financial subsidy to provide the support to a person with an 'assessed need' occupying a 'place' suitable to meet their care. In a residential aged care setting, these needs are determined through the application of an 'Aged Care Funding Instrument' (ACFI) as a process to allocate the finite amount of Government finances to the industry to provide care support to the person with the assessed care needs.

Concurrently, a variety of similar programs exist for the delivery of care within the community setting. These programs may be financed directly from the Commonwealth (Community Aged Care Packages or Veterans Homecare), shared with the State Governments and Local Governments (Linkages, Home and Community Care), or financed privately from those individuals unable to enter into a 'funded scheme'.

Access to any of the funded schemes is achieved through an assessment process either from the Commonwealth's Aged Care Assessment Teams or through a local Government assessment process or similar service (i.e. District Nursing Service) for community care services. These assessment processes identify that there are many persons eligible to receive services however, through the limitations on 'bed places' and 'community places', lengthy waiting lists exist in many regions of the country and a person's ability to access such services in their time of need varies substantially across the country. Many stories exist of persons in a particular region of Australia receiving substantially more (or substantially less) 'care support' than their immediate neighbours in the next region. Equity across the country does not exist in being able to match supply and demand.

Potential Solutions to the current problems

- **Fund the Client Not the Provider**

The Government currently pays a care subsidy to a provider to meet an identified range of care needs for the client. The client, if they wish to receive subsidised care services, firstly must satisfy the eligibility criteria established by the Government (through the Aged Care Assessment Teams) and then find a care provider willing to admit them into residency. The willingness of the provider is based upon current waiting lists, ability of the person to contribute to the capital costs (through payment of an accommodation bond or meet 'exempt bed' requirements), the level of care to be delivered and other stipulations. In reality, the consumer has little effective choice in this process as most aged care providers have few vacancies, which results in the client placing their name on many waiting lists, often far removed, from their ideal location.

If the client chooses to receive care in their existing home, again they must approach the approved providers of community based services in the region and (often) place their names on a waiting list.

This is hardly satisfactory as a client has an assessed immediate need to receive care yet the services may not be available in their area of choice.

It is proposed that Commonwealth funding be considered under two structures:

- Clients be funded directly for those services based in the community (ie non residential services), and
- Providers be funded for residential based services.

Funding community clients directly gives the client power to choose the service provider and also to change the service provider if the standard of service does not meet their needs. This also allows the client to choose the location where the services will be delivered. This could comprise the client's current home, relocation into some form of supported accommodation or anywhere else of the client's choice. From a consumer perspective, such a process should be extremely popular.

To ensure that the Government can be assured that the funding allocated to the consumer is not used for other purposes, it is proposed that a case manager would be allocated within each region to liaise with the care recipients on a regular basis.

A mechanism would need to be established to enable any reporting of issues where the care is found to be not suitable.

For residential based services, the service provider would continue to receive funding based upon the assessed (or re-assessed) need of the client. Funding of service providers is the preferred model under the continuum of care in the short – medium term to ensure that residential based services continue to operate in communities. By totally funding the client from the outset, there may be unintended consequences of such a change whereby residential services may cease to exist as operators change their focus to community based care. Over a longer period this would not be an issue as the Government pricing mechanism for subsidy could be used to change the supply / demand structure of residential and non residential services.

By adopting the more flexible process of 'licenses' discussed in the following section, the traditional residential service provider may willingly move into the provision of more community-based care and separate the provision of care from the provision of housing.

This approach would have minimal impact on Government financial outlays in the initial implementation. Costs would be incurred through the provision of regular health checks for clients however would be offset from the saving made by current review officer costs.

- **Licensing**

Currently, a residential service provider is 'approved' by the Commonwealth as being suitable to deliver services to clients. This approach equally applies for Community Aged Care Clients.

Whilst being an approved provider, this does not mean that the provider will receive an allocation of bed licences or CACP approvals (licenses). These licenses are allocated by the Government on an annual basis following a call for applications which are then considered by the Department and allocated to one or more of the applicants in a region depending upon the pre-determined number of licences being made available.

These licenses are granted to the approved provider at no cost however, based upon the limited number of licenses in an area, an active secondary market exists for the buying and selling of licenses resulting in the outcome of the licence being provided free achieving a market value representing a windfall gain to the provider.

The potential exists for the Government to be the sole regulator of this function.

If an approved provider wants to establish a service in an area, then the provider could purchase the number of licenses from the Government sufficient for their business needs. The money raised from this process would be allocated to the total pool of money available for the Commonwealth funded aged care financing and would assist in providing an additional source of funds to meet the needs of the sector.

The Government would establish the price of the license, say $5,000 - $10,000 as an illustration and, using the usual numbers of licences allocated annually, would generate a funding stream in excess of $30 million per annum.

This amount would be indexed annually at a nominal increase. If a provider wanted to relinquish some or all of their licences, the Government would buy them back at the current selling price. These relinquished licenses would then be available for resale to other service providers.

This system would enable the Commonwealth to:

- Ensure that the types of services were available to clients in specific regions through allocating licenses in the areas of demand,
- Through the application of a fee for the license, it would ensure that the approved provider was committed to developing the services in a particular area and generate additional funding for services,
- Establish a simple process for allocating and re-allocating licences,
- Remove the existing secondary market for licences.

From a provider's perspective, this approach should ensure that they have access to licenses to enable their business to grow over time for relatively small financial commitment up front. Licenses would be available for purchase at any time depending upon the 'stock' held by the Government.

The issue of the Government taking control of the license 'market' is that many providers have already recorded a book value of their licences in their balance sheets. Through the Government establishing and controlling the price mechanism, this will reduce the notional book value of the licenses and may create issues for financing covenants.

To overcome this, it may be necessary for the Government to indicate that it will be setting a fee for bed licenses for the future and gradually reduce the fee over the next five years until it reaches the target new sales price. During this period, providers have the chance to restructure their balance sheets to minimise the impact. Any provider seeking to relinquish licences during this period should be paid a median rate between the book price and the sell price.

There would be some relatively minor change to cost outlays of the Government under this approach until such time as the book price equals the sale price. Over time, this approach will raise additional income for the sector.

- **Separate the concept of 'accommodation' from 'care'**

Currently, within residential aged care, the Government controls the amount of 'board and lodging' to be paid by the client (both on a weekly fee basis and on a capital retention basis from any accommodation bond) and provides Government subsidy to meet the costs of care services.
Additionally, accommodation bonds are only payable in low care facilities, extra service facilities and high care facilities (if the client transfers a bond from an existing provider). This creates the anomaly with direct admissions into high care whereby the provider cannot access any capital sums to assist in overall financing and the current option is to receive an accommodation charge being an additional amount of

funding in the weekly fees. The current community understanding is that bonds are not allowed in high care facilities where in fact this wrong – they are already in many facilities as extra services places, transfer or through a resident request to pay a bond. The question is not about the introduction of bonds into high care, but rather removing the anomaly of certain providers being excluded from being able to charge a bond.

In simple terms, there are two components to the residential system:

- The Commonwealth provides subsidy payments to support care services.

- The client pays a fee for their accommodation.

As the accommodation component of the payment is made by the resident, the Commonwealth should have minimal role in stipulating the style and structure of an aged care building and how it should, or should not, look in the future. Government's role is to stipulate the general standards for building codes and in establishing minimum standards of accommodation that will be available under 'residential' services.

There must be some recognition that accommodation requirements differ for each person and that each person has a differing capacity to contribute to the cost of that accommodation.

Currently, Government controls the minimum amount that a person moving into residential care must retain from their assets. This is a reasonable approach to ensure that unexpected events can be financed. Additionally, Government regulates the amount of money that a provider can retain from an accommodation bond. This process is also reasonable however the following matters should be considered:

- The amount of money that a provider can retain from an accommodation bond needs to be increased to reflect some return on the investment in the physical infrastructure.
- The retention timescale should be related to the overall time spent in a residential service – not restricted to a five year period as this simply creates barriers to a resident moving between services as they age or family moves etc.
- Accommodation bonds should apply to residential aged care – not simply low care. This barrier creates inequities for consumers and providers and serves no purpose.

For those people who have limited financial assets, the current process of having Government support works well however the amount of the support needs to better reflect the costs of the accommodation service.

The current 'extra service' process works reasonably well however the services required to meet the 'extra' requirements are very superficial and need to be re-examined and perhaps structured around a hotel style 'star rating' type of process.

There are no cost outlays from the Commonwealth for this change.

The subsequent issue that needs to be considered is the process of supporting people of limited financial means.

The requirement of Government under this approach is to ensure that some financial support for those clients in insecure housing is available so that access to appropriate housing is available as chosen by a person. Provision of such 'housing support' subsidy should be made to the client as it will again provide a greater role to the client in exercising choice about where and how they would choose to live.

The current monies allocated by the Commonwealth and State Governments for housing support programs should be consolidated into one program and then priorities determined as to the allocation of monies to people needing support for secure housing. Financial support could range from cash grants for first home buyers thorough to rental support for people in insecure housing and subsidy support for people requiring longer term assistance. Conceptually there would be no net cost to Government outlays but this will vary according to changing Government priorities.

- **Assessment**

The current assessment process of a person is conducted by a Government funded ‘independent’ assessment team to determine the ‘care’ requirement of an individual.

The responsiveness of this process varies markedly throughout the country with some assessment teams taking a number of months to assess the needs of a client. This delay creates undue hardship for families seeking support for a person identified as requiring assistance (often from the acute hospital or person’s doctor).

The other aspect of the current process is that the Assessment Team service is a monopoly service that reduces client choice.

To support this assessment process, a single assessment system should be established with a number of services capable of undertaking the role. The assessment team would be retained but additional options for assessment would include the person’s usual medical practitioner, or community nurse. A community nurse would also include the Director of Nursing (however titled) at a residential facility.

This would require a change to the Medicare reimbursement schedule to compensate for the work undertaken by doctors however would provide a cost effective alternative.

For assessments undertaken by a community nurse, a scheduled amount of reimbursement would be provided by the Government.

Both of these alternatives to the current assessment team provide options for a more responsive service for consumers and give choice in the assessment procedure according to client need.

The other issues surrounding the current assessment process concerns the lack of accountability by the assessment teams for their decisions.

At the time of the assessment, families may ‘control’ the information flow to the assessor to portray a higher (or lower) impairment than actually exists. Based upon this decision, the person may then enter an aged care facility and the level of assessed impairment is significantly different than assessed, yet the service provider may suffer financially from this change in actual level of care if the care needs are less than the assessment. This should not occur as the provider has taken the ‘assessment’ in good faith and the Government should honour the assessed level if higher than the actual level.

The cost to the Government should be minimal. To provide a better service than currently exists would require additional staffing to ACAT services than presently allocated. To implement the alternative solutions would provide a more flexible use of Government monies as the only cost would be upon provision of service by a doctor or community nurse and may reduce the need for additional permanent ACAT staffing levels.

- **Quality**

One of the important roles of any Government system is to ensure that services are, firstly, being appropriately provided and, secondly, that systems of continuous improvement are in place. The current accreditation system does not meet either of these requirements for a variety of systemic reasons.

When the accreditation system was first proposed, the system was welcomed by the industry as a positive means by which the previous ‘outcome compliance’ model of Government control could be eliminated.

Regrettably, the way in which accreditation has evolved has largely resulted in the Accreditation Agency assessors imposing their view as to the style of services that an organization should be providing and their view as to what comprises ‘best practice’. Neither of these views is relevant, as any good quality system focuses on ‘what works for the organisation and the customer’.

Additionally, the way in which accreditation currently operates, it imposes an enormous cost impost on service providers and actually detracts from the money available to provide services to clients.

Under the above solutions to the aged care sector, the only role of a Government ‘quality’ system should be based around the services being provided by way of care subsidies to a person, as this is the only aspect being funded by the Government. Government does not have a role in the quality of the building stock being provided in a 'housing environment' and there is no requirement for action from Government.

Should a licensing system be developed for the service provider, then the 'quality' system focuses on the provider's ability to deliver the level of services required.

The role of the 'quality' process will change to meet this new obligation and will result in a better and less expensive model that can be sustained for the future. There are a variety of accreditation schemes currently available throughout the world and a number of aged care organizations are working towards the internationally recognised 'Business Excellence Framework' as a sustainable, focused program in improving outcomes for staff and residents.

The intention of this alternative to the existing system is to reduce the costs to Government and the sector.

- **Value of the Care Subsidy**

The Government currently structures their subsidy payments over a sixty four tier system (ACFI) for residential providers. Community care providers are subsidised at separate rates under the CACP program and a variety of rates under the HACC program. These 'systems' should be developed into a single simpler subsidy system covering all of the current programs. The care needs of a client do not change simply by their location and the development of such an instrument (over, say, a twenty point scale) would enable all clients to be assessed according to common criteria and be able to move seamlessly through the scale over time.

The role of Government under such a system is to determine a fair and consistent price for the various levels of subsidy that is sufficient to meet the legislated level of services expected to be provided for the subsidy amount. It is pointless to provide a level of funding subsidy at a 'basic level' and then legislate for a 'premium level' of care to be provided. Similarly, there is no point in paying for a 'premium level of care' and then witnessing a 'base rate' level of service. Transparency in the rate of subsidy and the services provided is a key fundamental role of Government.

Through this mechanism, the Government has the opportunity to shape (and control) the industry and the Commonwealth's financial commitments. It also has the capacity to affect the ability of the sector to attract and retain those staff with a skill base that is deemed appropriate to the needs of the services. Such ability will be fundamental for the future as aged care continues to evolve and becomes more aligned to some of the stresses of the acute care sector.

Having established the role of Government in determining the value of the care subsidy, the issue then revolves around the process that will be used to determine the level of subsidy to be paid to an individual client. As an assessment of client need has made on the level of care required by a client, then the initial subsidy should be based on this assessment. Should a client's needs change, then the service agency should be able to simply document this change for subsequent audit by the Government.

Such an approach focuses on a risk management approach to auditing care requirements by the Government. This process may require additional review officers who would be sourced from those staff formally used on bed licence rounds etc.

To compound the problems of subsidy rates in the sector, the current process of subsidy 'coalescence' whereby all of the States will be funded at the same financial amount for residents assessed at the same funding category fails to recognise that there are very real cost differences between the States. If the Government focuses its attention to funding the 'care' component only, then some of these differences are eliminated or reduced (providing the Government allows the service provider to develop the type of housing stock and financial arrangements appropriate to their clients) which will assist the Government to then recognise true cost differentials between the States on a much narrower basis.

Additionally, the Government has established, by a separate process, how much they are prepared to contribute to meeting this care need from Commonwealth monies. It makes no difference whether a person has substantial assets or no assets in the delivery of the actual care. Every client should be eligible to receive the same level of support regardless of their capacity to accumulate assets and income. It is also true that, with the need to target Government expenditures on those persons who do not have the capacity to fund their own needs, some form of means test should apply to the payment of Commonwealth monies.

If the Government applies such a means test, then it should affect the client, not the provider as currently applies with care subsidy reductions being based upon the assets of the person.

Whilst this may have an impact on Government outlays, the extent of the impact can be managed by Government simply through the rationing of the services that Government is prepared to fund. The downside to rationing the level of services is that Government is exposed to public criticism.

- **Future Style of Aged Care**

Currently, the focus of much of the aged care sector is based around a 'medical model' of service delivery. There is an approach, currently being used by a small number of facilities in Australia, and certainly by over 400 facilities in America, whereby the medical model has been transcended in preference for a lifestyle model which is delivering tangible benefits to clients and causing a reduction in all of the 'medical necessities' of the current aged care system (medication, infection rates, falls incidences etc). The Government should actively encourage organizations to explore this approach and should be prepared to promote the concept if the benefits can be specifically quantified. The recognition that the medical model is only part of the solution to meeting the needs of older persons could result in cost savings for the future delivery of aged care in Australia.

By developing a lifestyle-focused model of care, the current difficulties being experienced around the world in attracting and retaining qualified nursing staff is reduced. There will inevitably be a role for qualified nursing staff to deliver those technical aspects of care within a residential setting, however the current 'medical focus' fails to recognise that holistic care can be provided by a variety of staffing options all of which are to the advantage of the client.

The model, known as the 'Eden Alternative' focuses on the issues of 'loneliness, helplessness and boredom' as the greatest plagues affecting the elderly and develops appropriate responses to help overcome these issues. The thrust of the approach is to give older persons a reason for living as opposed to simply waiting to die. A dramatic, but nonetheless factual, reality in the current system.

The debate should be about what type of aged care services can respond to the very different needs of every client and the particular staffing skills required to meet those needs.

By shifting the focus to a non medical model, this has the potential to offer a lower cost option for age care services and may change the mix of staff required to provide service to clients under a lifestyle focus of care services.

- **Other Issues**

    - **Staff Training**

The current process of Registered Training Organisations being accredited to deliver skills based training to the Australian workforce is a reasonable concept however the inconsistency in actual training delivered to students almost renders the process useless whereby a student exits the course with a certificate which may not be recognised by an employer as the RTO is not capable of delivering a suitable standard of education. This problem needs resolution across all sectors.

Compounding the issue of staff training is the investment made by aged care services in training staff to Division 2 and Division 1 Registered Nurse standard which is then often wasted due to poaching of these staff by the acute health sector. The immediate need is to create a system that recognises and rewards staff to remain in aged care and create value for training investment. Such a scheme could include scholarships, relief from higher education debts under proviso that the person remained employed with the sector.

    - **Workforce support**

There needs to be some recognition that the staff actually employed in providing care services to older persons are themselves an ageing workforce. Government policy now encourages people to work longer to reduce the financial burden on the social security system however working in aged care is physically demanding which increases the risk of injury / claims by older employees, or alternately forcing experienced employees out of the workforce.

This potential injury rate has two effects:

- The injury may create a longer term demand on acute health / rehabilitation services which is a high cost component of medical services, and
- May create the situation whereby the person becomes dependent earlier in their retirement years.

As such, the promotion of working longer in the aged care sector may produce an adverse financial outcome for Government outlays.

Additionally, should these injuries become compensable under State Workcover arrangements, the cost impost on the service provider will be substantial.

- **Volunteers**

Our society needs to address the changing attitudes of "baby boomers" who are not looking to participate in the traditional roles of volunteerism. This will impact on service provision as time progresses and reduce the quality of services that are provided to older persons. If volunteerism cannot be encouraged, then the only alternative is to provide additional paid services which would be a further drain on the public purse

- **International Considerations**

At an international level, two specific issues should be considered for relevance in the Australian context:

- Private expenditure on aged care in many European countries is <u>fully</u> tax deductible. This obviously enables the Government to expand the aged care program at a lower net cost to the overall Commonwealth expenditures. Such a process is used for both residential and community care and is well worth considering for the future.

  This has the benefit for Government of expanding the total service delivery of aged care services co-jointly with private expenditures. Good simple low cost solution to expand total services.

- The current focus of Government is in addressing the issues of aged care (amongst other issues) whereas the focus should be on achieving systemic change in our lifestyle to delay the need to have Government subsidised programs. One such program has been investigated in detail in a complete region in Japan and focuses on the 'wellness' concept of reconnecting older persons (in particular) with the community. The social isolation currently being experienced by older persons in society creates an environment wherein medical expenditures increase, aged care needs increase and general dysfunction is allowed to become systemically entrenched. By addressing the source of these issues, the study region has shown a remarkable reduction in a vast array of programs and this model should be explored with some haste. Under the current HACC program, the operation of Day Centres could be claimed to be meeting this aspect but this is not correct. We need to examine the means by which wellness is integrated into various societal models to ensure that people remain connected with their communities. For example, the greatest concentration of older people in Australian society is at a shopping centre. We need to both recognise this fact and then provide suitable opportunities to enhance the interactions at such places.

  The experience around the world is that shifting the current treatment model of health to a preventative model achieves 'whole of Government' savings over many programs. In the first instance, the establishment of selected areas for a pilot program would best quantify the outcomes. Such pilot programs could be undertaken in specific regions or smaller groupings of people if more targeted outcomes are required.

Conclusion

In relative terms, Australia has an aged care system that is the envy of many countries. However when the systemic issues are considered, our program is in danger of not being able to meet the needs of future generations, let alone solve the current issues within the sector.

- By funding clients instead of providers, a fundamental shift in empowerment of community care clients is achieved – a good outcome for consumers and minimal cost to Government.

- By changing from a 'bed licences' level of control to a more flexible licensing arrangement by Government through the 'sale' of bed licences, the sector will be in a position to provide alternative styles of accommodation and settings and to improve and develop facilities to meet client need. This will have minimal short term cost to Government in establishing the 'license market' however this approach provides an ongoing source of funds generated through the 'sale' of licenses.

- Government needs to focus on 'care services' as a statutory role and simply establish minimum requirements for accommodation. There is no cost to Government from implementing this change.

- By changing the current Government regulations on accommodation bonds, a variety of responses can be developed by providers to meet the needs of the clients in each segment of society. Such regulation change also ensures financial viability of the accommodation component of the sector. There is no cost to Government from implementing this change.

- By developing a continuum of care funding scale, consumers can receive the financial support necessary to receive care in their setting of choice. May have cost implications to Government over time however these costs can be controlled through reducing the level of services that the Government will be prepared to support.

- Development of a funding scheme based solely on 'care needs' allows the Government to specifically target, and reallocate, funding priorities. This may have funding implications over time.

- Elimination of the current myriad of funding and assessment schemes will facilitate more dollars being dedicated to actual service delivery. There is minimal or no cost to Government from implementing this change.

- Provision of an alternative assessment services to ensure enhanced client responsiveness and choice. There is minimal cost to Government from implementing this change.

- Recognition that alternative styles of aged care from a medical model to a social model will assist in enhancing the experiences for clients and assist in alternative staffing models. There is no cost to Government from implementing this change.

- Establishment of pilot projects to determine the benefits of a preventative service delivery model in lieu of the existing 'treatment' model of care. There are some short term costs to Government but potential cost benefits to total 'whole of Government' spending if pilots can produce good outcomes to clients.

The role of Government is ultimately focused upon ensuring the money outlaid from Government sources is appropriately spent as part of accountability to the taxpayer.

A fundamental review of the program can achieve positive outcomes to the issues and hopefully, the above paper will assist in this process. If any matter requires clarification or if you should wish further discussion on the issues, please contact me as required.

Yours truly,

Stuart Shaw
General Manager